

For purchases of a fractional share in an aircraft, Aircraft Use Tax liability is incurred on the purchase price of the fractional share of the aircraft purchased. However, the taxable purchase price of the fractional share shall not be less than the fair market value of the fractional share. See 35 ILCS 157/1. (This is a GIL.)

October 15, 2004

Dear Xxxxx:

This letter is in response to your letter dated December 15, 2003, in which you request information. I apologize for the delay in getting a response to you. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

Please help me with this. I am considering purchasing a share interest in an airplane. The airplane is presently owned by three people and has been for a number of years. They paid tax on the airplane when purchased. I have recently found out that if I buy a share in this airplane I will possibly be taxed on the full market value of the airplane! That is ludicrous! And if I am understanding this correctly, if one of the other owners decided in a couple of months to sell his share the same thing would happen again in that the full market value would once again be taxed! Surely this is not true. Since the tax law is now in effect, it would only be fair to tax from the amount the buyer is paying for the share. Please give me an official ruling on this as soon as possible because I have to make a decision on this purchase very soon.

DEPARTMENT'S RESPONSE:

Any non-retail transfer of ownership in an aircraft that results in a new registration or title will subject the aircraft to the Aircraft Use Tax, 35 ILCS 157/1 et seq. When a person purchases a fractional share in an aircraft, Aircraft Use Tax liability is incurred on the purchase price of the fractional share of the aircraft purchased. However, the taxable purchase price of the fractional share shall not be less than the fair market value of the fractional share.

I hope this information is helpful. If you require additional information, please visit our website at www.ILTAX.com or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Edwin E. Boggess
Associate Counsel

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